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The impact of macroeconomic variables on commodity futures prices :
An evidence from Malaysian crude palm oil futures (Article)

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Abstract

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The current study aims to fulfil the gap of knowledge in commodity futures by empirically examining the influence of selected macroeconomic variables on the prices of commodity futures particularly Crude Palm Oil Futures (FCPO). Cointegration, Vector Error Correction and Granger causality analyses are used to examine the nexus between macroeconomic variables (interest rate, exchange rate and Industrial Production Index (IPI)) and FCPO from January 1999 to December 2019. Results show that interest rate, exchange rate and IPI have a significant influence on FCPO prices in the long-run. While interest rate and exchange have a negative impact, IPI has a positive impact. VECM results suggest that the macroeconomic variables appear to have no significant short-run causal effect associate with the FCPO prices. Granger causality test indicate that FCPO and exchange Granger cause IPI and act as leading indicators for IPI. The study implicates that policy makers should carefully design policy (monetary and fiscal intervention) to reduce swings in the commodity futures prices to protect hedgers and investors. © 2020 Ubiquity Press. All rights reserved.

SciVal Topic Prominence

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Author keywords

Cointegration Exchange rate Granger Causality Industrial Production Index Interest rate
Vector Error Correction Model

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